
February 5, 2019

The Honorable Richard Neal
Chairman
House Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Kevin Brady
Ranking Member
House Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Neal and Ranking Member Brady:

On behalf of tens of thousands of construction employers whom contribute to multiemployer defined benefit pension plans, we are pleased the House Committee on Ways and Means is considering action to improve retirement security for American workers. This hearing is an important opportunity to shine a light on the many challenges facing multiemployer pension plans, and to advance solutions to address these problems in the 116th Congress. As a reminder, construction industry plans account for over half of all multiemployer defined benefit plans and cover nearly four million multiemployer defined benefit participants. The undersigned leading construction employer associations represent the vast majority of contributing employers in the construction industry.

The current defined benefit system is not stable. Multiemployer pension plans have aggressively increased employer contributions and active employees have faced reduced future accruals. In one example, plan contributions tripled coupled with a 60% reduction in benefit accruals. Yet, the system remains fragile. Plans that are not currently in “critical” or “critical and declining” status are facing many of the same risks that have driven some well-known defined benefit plans toward insolvency. It is these risks that have resulted in the private sector abandoning the lifetime guaranteed benefits of defined benefit pension plans for defined contribution plans.

Employer exits, bankruptcies, and mass withdrawals in the multiemployer system are continuing threats to the multiemployer pension system, resulting in plan failures, exposing workers to vastly reduced benefit, and jeopardizing the solvency of the Pension Benefit Guaranty Corporation’s (PBGC).

Composite plans must be a part of multiemployer pension reform. Concerned employers and active workers in the current system have begun to explore alternatives outside of the defined contribution and defined benefit systems. A viable bi-partisan option is Composite Plans. Congress should authorize this innovative hybrid design.

The composite plan concept incorporates the best features of defined benefit plans and defined contribution plans. Composite plans offer voluntary options to share risks, provide funding stability, provide lifetime income to participants, and limit employer obligations to negotiated contributions only, at no cost to the taxpayer.

Since 2006, multiemployer plans have demonstrated that they will take advantage of new tools to stabilize the system when they are made available to them. It is imperative for Congress to act sooner rather than later.

At the same time, any effort to strengthen the current system should guard against aggressive funding requirements and substantial PBGC premium increases, both of which would financially weaken

employers and further destabilize plans. Premiums were doubled and indexed every year beginning in 2015.

The current system is fragile and needs modernization this year, not in the future. Every year that Congress fails to address these concerns, the harder it becomes to solve the problem. Another year of inaction will result in fewer employers each year being able to make their ever-increasing contribution requirements putting a secure retirement for millions of active and retired construction craft workers in jeopardy.

Sincerely,

Associated General Contractors of America

FCA International

International Council of Employers of Bricklayers and Allied Craftworkers

Mechanical Contractors Association of America

National Electrical Contractors Association

Sheet Metal and Air Conditioning Contractors' National Association

Signatory Wall and Ceiling Contractors Alliance

The Association of Union Constructors